



LexisNexis® Insurance Demand Meter

A quick look at
auto insurance
shopping trends

ISSUE #6

For more information about this report, visit risk.lexisnexis.com/demandmeter or call 1-800-869-0751.

Overview

The first quarter of 2021 was anything but business as usual for U.S. auto insurance shopping, with some counteractive forces affecting the market. There was growth fueled by two separate stimulus checks, as well as year-over-year improvements from last year’s COVID-related downturn that began with the shutdowns in mid-March 2020.

That growth was countered by the impacts of Winter Storm Uri and the delay by the Internal Revenue Service (IRS) in processing tax returns, which changed the traditional seasonal shopping pattern for the uninsured shopping market. The net result was significant year-over-year growth numbers for both shopping and new business. We also observed the annual shop rate, defined as the percent of policies in force in the market with at least one shopping event in the past 12 months, jump 0.5% points to 41.5%.

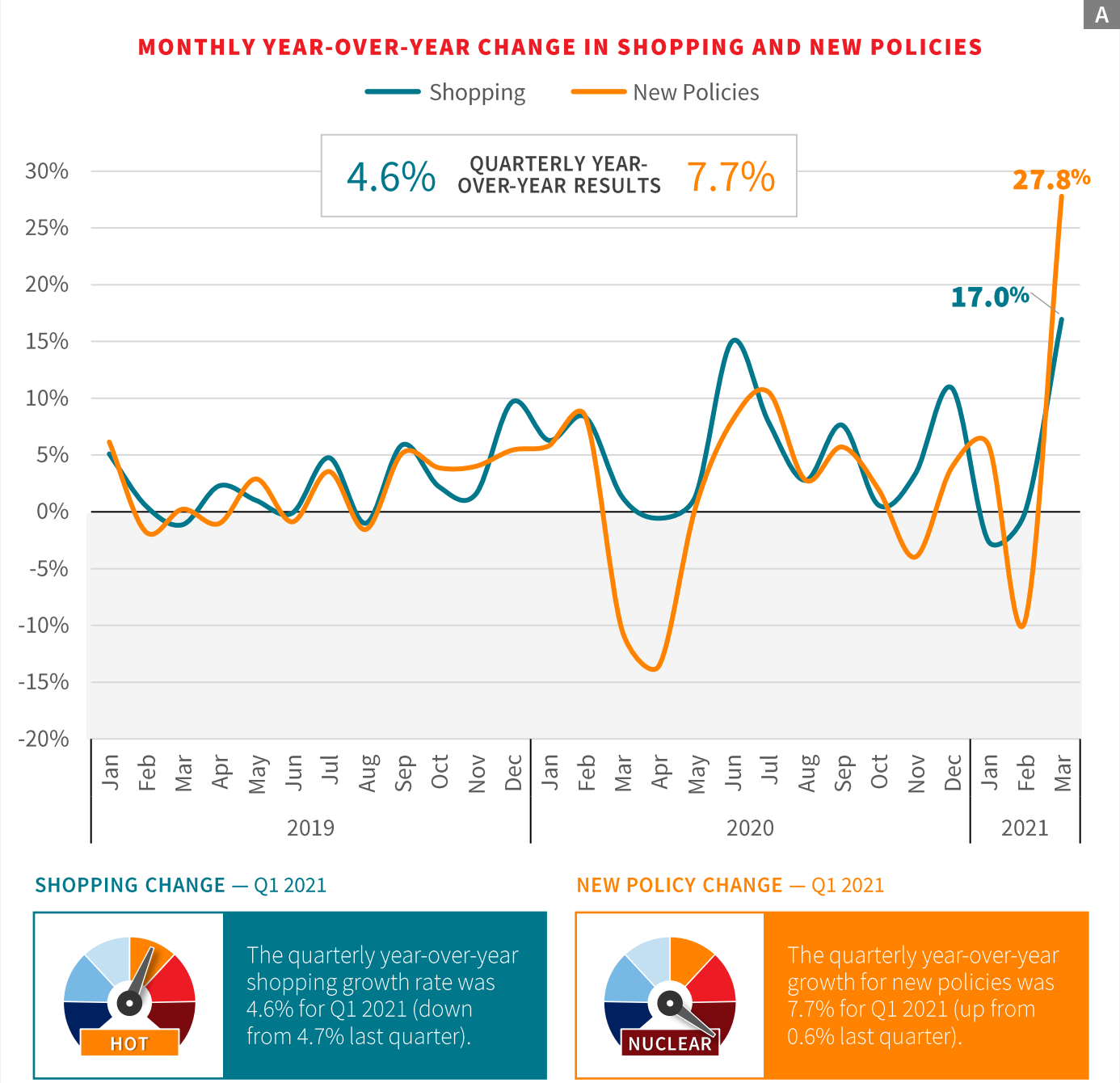
This edition of the Demand Meter digs deeper into these events and their impacts.

KEY TAKEAWAY

Several circumstances significantly impacted shopping patterns in the first quarter of 2021:

- ▼ Winter Storm Uri
- ▼ Delayed processing of tax returns
- ▲ Second and third rounds of stimulus checks
- ▲ The reawakening economy, moving past the COVID shutdowns

NEW BUSINESS VOLUMES SURGED IN MARCH, GROWING 27.8%



Weekly shopping: Late-quarter surge counteracts weather woes and tax refund delays

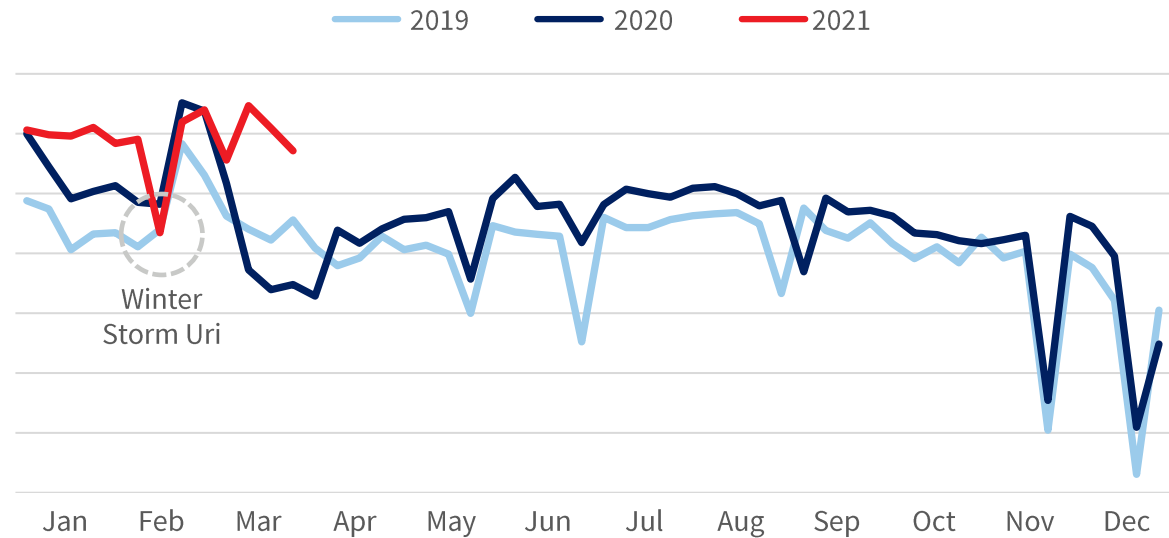
With a boost from the second round of COVID-related stimulus checks, shopping grew 0.6% during the first week of January, despite the fact that we were comparing to an unusually strong week back in 2020. The next five weeks were strong, until Winter Storm Uri wreaked havoc over much of the country — most significantly in Texas and its neighboring states. The week of February 20th is traditionally when we would begin to observe significant shopping increases from the uninsured market as tax returns are issued, but we only saw modest growth this year during that period likely due to IRS processing delays. Beginning the week of March 13th, the combination of the delayed tax returns, the third round of pandemic-related relief checks, and improvements over last year's dip caused by pandemic-related shutdowns resulted in notably large growth numbers; +28%, +28%, and +18%, respectively in the last three weeks of March (see Chart B).

Winter storm puts a damper on shopping growth

Winter Storm Uri unleashed its fury February 13th–17th, blasting much of the country with snow or ice. Texas was at the epicenter, with the loss of most of its power grid for many days. As a result of widespread system outages, shopping volumes in Texas were down -41% for the seven days beginning on February 13th, after growing +11% the week prior. Shopping growth in surrounding states also decreased, most notably in Arkansas, Louisiana and Mississippi, which experienced decreases of more than -33% points.

But the effects weren't just felt in the states directly in the storm's path. System outages at carriers with infrastructure in the impacted areas caused quoting declines in 48 states and the District of Columbia. Countrywide, shopping was down -8% the week of the storm after growing 7% the week prior.

WEEKLY SHOPPING VOLUMES



Importance of tax returns and stimulus checks

Every spring, there is a cyclical pattern of increased shopping volumes that coincides with when the IRS processes and deposits tax returns into consumers' accounts. In fact, due to a change in processing timelines a few years ago, we know that increased shopping volumes can largely be attributed to two types of tax returns: the Earned Income Tax Credit and the Additional Child Tax Credit. Tax returns with these credits increase consumer shopping activity in general, which is partly why advertisers love the timing and reach of the Super Bowl, but in the insurance industry we see that tax season drives insurance shopping the most with the uninsured market. As shown in Chart D (right) shopping volumes increase by 40% at the peak of the processing of these tax returns.

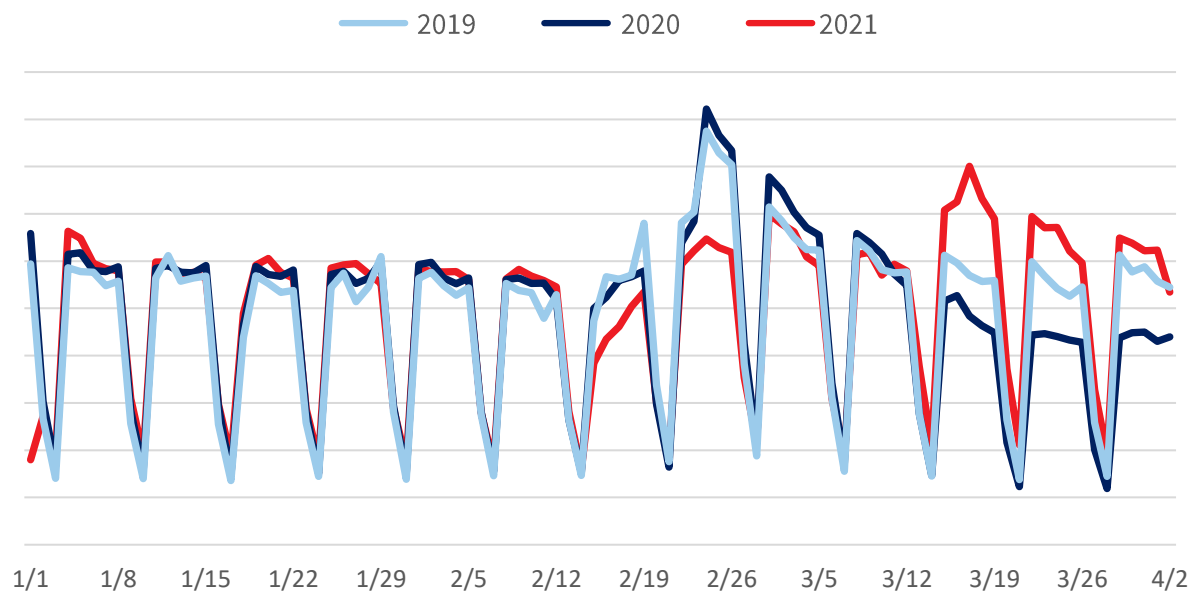
Notably, the American Rescue Plan may impact the timing and scope of these tax returns, with increases to the amount of the child tax credit, expanded eligibility and potential payments beginning in July 2021.

New policy growth: Uncharacteristic seasonal pattern fuels March surge

Continuing the trend in recent quarters, new policy growth in Q1 resembled a roller coaster ride for the market. There was strong growth in January, a big dip in February, and then even stronger growth in March. The February dip merits further scrutiny. First, February 2020 included a "leap" day, so when you account for that by using average daily volume increases, growth for February 2021 was actually -3.3%. Additionally, the delayed tax return processing pushed most of the uninsured shopper volumes from February into March this year. These uninsured shoppers are more likely to purchase a policy when they shop, so the new policies associated with these shoppers also were pushed into March.

Finally, we began to hurdle the COVID-related shutdowns in the second half of March, which impacted new policy volumes more than shopping, and contributed to the significant growth in March. What resulted was a quarterly year-over-year new policy growth of 7.7% — a number worthy of a "nuclear" rating on our scale.

UNINSURED SHOPPING VOLUMES ON A SIMILAR DAY BASIS



Shopping diverged from its typical seasonal pattern in Q1. Winter Storm Uri hit the week of February 15th, which was the week before tax season. Shopping volumes increased slightly the weeks of February 22nd and March 1st but were nowhere near the usual 40% increase. Beginning on Saturday March 13th, consumers received the third round of stimulus checks, which prompted the uninsured shopping volumes that are typical during the tax return season.



**NEW POLICIES
GREW TO 27.8%**
by the end of Q1 2021





Tanner Sheehan

Associate Vice President
Auto Insurance

“The first quarter was certainly a turbulent one, with monthly shopping patterns way out of sync with “normal” times. What resulted was **a significant drop in new policy growth in February (7-11%)** due to Winter Storm Uri and the impact of tax return delays on the nonstandard market, followed by **astronomical growth (30%) in March** as tax returns and additional rounds of stimulus checks hit consumers bank accounts.”

Looking Ahead

The year-over-year growth numbers for April will still be positive, as we continue to see favorability over last year’s COVID shutdowns. But, shopping and new policy volumes began to return to “normal” levels in May of last year, so we expect the wild year-over-year changes to moderate as we move into the latter half of the second quarter.

Looking at the rate filings being submitted to state regulators, there is a good mix of rate increases and rate decreases. This combination has traditionally been a leading indicator for continued strong shopping activity. The record high annual shop rate we observed this quarter means that consumers that hadn’t shopped their policies recently did so, which is putting pressure on carriers to retain their most stable, and valuable customers.

The LexisNexis Insurance Demand Meter is a quarterly analysis of shopping volume and frequency, new business volume and related data points. LexisNexis Risk Solutions offers this unique market-wide perspective of consumer shopping and switching behavior based on its analysis of billions of consumer shopping transactions since 2009, representing ~90% of the universe of shopping activity.



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